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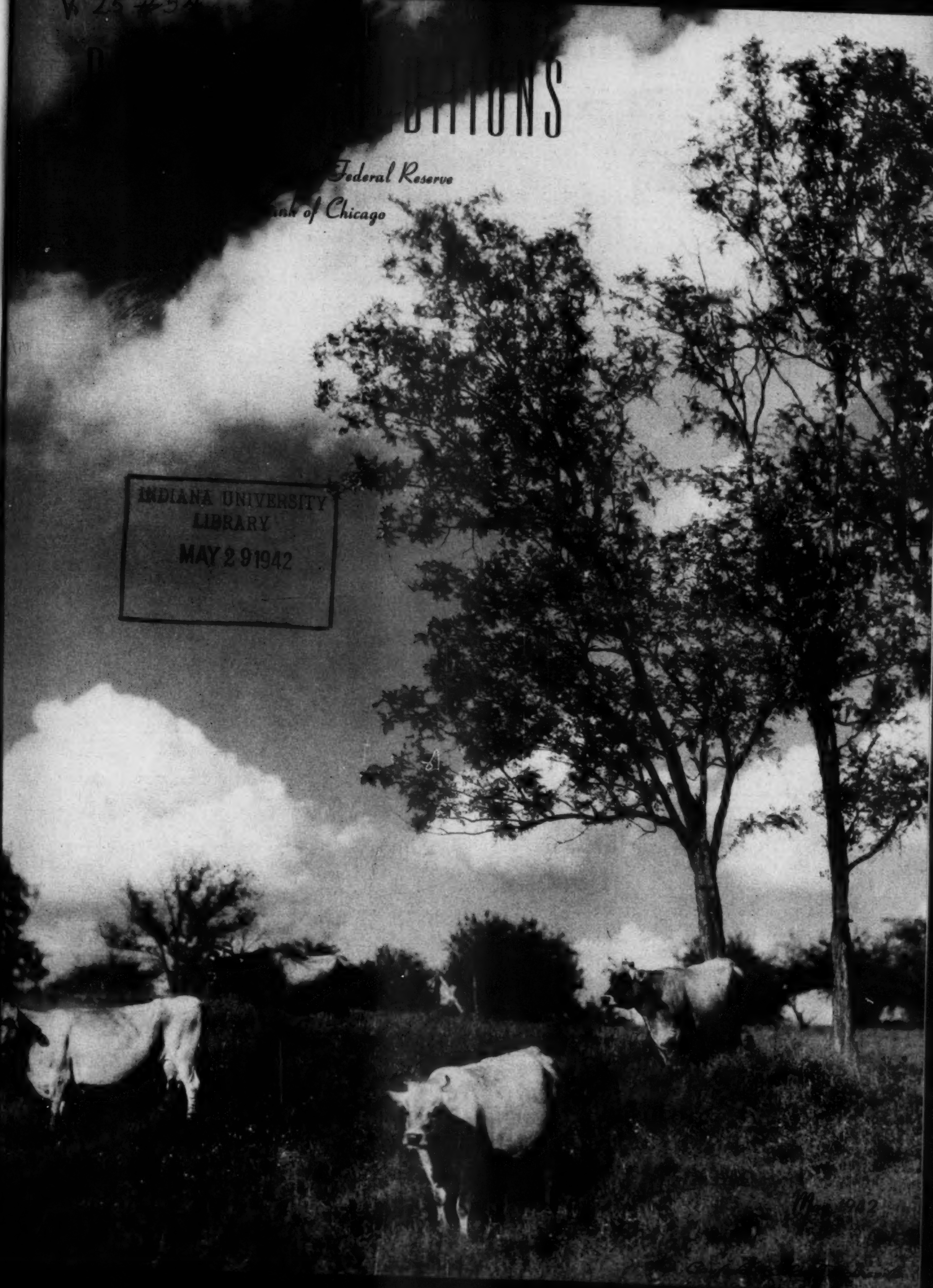


Review of Seventh District Business

Although sometimes obscured by the lack of dramatic day-to-day advances, industrial activity in the Seventh Federal Reserve District was maintained at high records during March and April, reflecting steady progress in the war program on the "home front."

Retarded by drastic curbs which amounted to complete elimination of some products, slowed down by serious limitations of raw materials needed in the production of consumers' goods, and impeded by shortages in storage and transportation facilities, the industrial advance reveals significant alterations in the components of our economy which have called for reorientation in business planning, in trade activities, in fiscal policies, and in credit practices.

The advances of wartime controls over production and distribution have brought changes undreamed of until the advent of total war and, while designed to speed ultimate victory for our armed forces, impinge on the American standard of living.

Restrictions and stop orders issued by the War Production Board and the Office of Price Administration curtail many products produced in the Seventh District.

Business has met this restricted civilian output with enlarged war production, and as a result of an Executive Order issued March 26 is now fortified with ample credit to carry out war contracts unhampered by peacetime credit requirements.

Employment, however, has not kept pace with the production gains. The index of total manufacturing employment in the Seventh District has declined steadily from the September peak of 146 per cent of the 1935-39 average, and in February receded to 133 where it remained up to March 15, the latest date for which figures are available.

Aggregate wage payments have shown a different trend from that of employment and have advanced almost every month since July 1940. In March the index reached 181 per cent of the 1935-39 average, a gain of 5 per cent over the September level.

The construction industry has reflected the accelerated transition to a war economy. Notwithstanding the virtual halting of non-essential building, a marked advance has occurred because of defense requirements. Contract awards in the Seventh District during March reached a valuation of more than 140 million dollars, making that month one of the highest ever recorded.

Of the 272 million dollars worth of contracts recorded in the first quarter of this year, more than 70 per cent represents Government ownership. Public works and utilities, however, were cut down this year to a volume little more than half as large as in the first quarter of 1941. Such projects have had to give way to an increasing need for the housing of defense workers and the armed forces.

Steel production during April was maintained at the near record-breaking levels to which we have become accustomed. The average rate of production for the Chicago area was 104.6 per cent of rated capacity. The steady increases in production in the past few weeks may be attributable in part to the easier flow of scrap. The production of pig iron reached a new all-time high in March when local mills achieved a daily average of 34,510 net tons, an increase of 475 tons over the previous month.

Bituminous coal production on a daily average basis declined in March from February, but production in the first quarter of this year has been 5 per cent larger than in the same period last year.

The furniture industry exhibited a seasonal increase during March. Comparison with a year ago shows an accumulation of almost 25 per cent in unfilled orders, notwithstanding the fact that shipments throughout the first quarter of this year have been one-fifth again as large as during the same period last year.

Consumption of gasoline increased during March and continued larger than in the same period last year. Demand for fuel oils has been especially heavy and stocks are falling off despite increasing output.

Orders booked by reporting paper manufacturers of this District have been declining during recent months and in March reached a level 15 per cent below that of a year earlier. Shipments have been 20 per cent heavier the first quarter of this year than in the same period last year.

The increased flow of income payments coupled with higher prices has raised the dollar volume of retail sales in most of the large cities throughout the District. Compared with March a year ago, sales this year have increased 22 per cent. Open book accounts are up 24 per cent. Cash and C.O.D. sales show a gain of 28 per cent and instalment accounts are 15 per cent higher. Cumulative sales during the first quarter of the year show a gain of 27 per cent for the District, with the largest gain in musical instruments, radios, and phonographs.

Consumer Instalment Loans in the Seventh District

Consumer instalment loans outstanding at member and nonmember banks in the nation and in the Seventh District have turned down sharply since the latter part of 1941. The decline has been caused in part by limitations on production of consumers' durable goods, and in part by consumer credit control.

Paying off debts and curtailing instalment buying constitute one of the seven principal points in a program to check price advances set forth by the President in his Special Message to Congress on April 27. "To keep the cost of living from spiraling upward," stated the President, "we must discourage credit and instalment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying, and adds to the amount available to the creditors for the purchase of war bonds."

As revised, effective May 6, 1942, Regulation W applies to a comprehensive list of durable and semi-durable goods for civilian consumption. The Regulation extends to all types of consumer credit, whether in the form of instalment sales and instalment loans, or in the form of charge accounts and single-payment loans.

The Comptroller of the Currency, the Board of Directors of the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System issued a joint statement on May 9 with respect to the procedure to be followed in the exercise of their supervisory responsibilities to encourage reduction of personal indebtedness incurred for non-productive purposes through amortization of bank loans which are not subject to the provision of Regulation W.

PERSONAL AND RETAIL INSTALMENT PAPER HELD BY INSURED COMMERCIAL BANKS IN THE FIVE STATES IN THE SEVENTH FEDERAL RESERVE DISTRICT

(Amounts in thousands of dollars)

Geographic Division	December 1940	June 1941	December 1941	Per Cent of Change during 1941	
				First Half	Second Half
Illinois	$ 65,106	$ 81,223	$ 89,023	+24.8	+ 9.6
Indiana	29,750	37,665	35,213	+26.6	− 6.5
Iowa	24,118	30,353	27,840	+25.9	− 8.3
Michigan	74,286	88,737	79,205	+19.5	−10.7
Wisconsin	20,499	24,963	24,213	+21.8	− 3.0
Five States	213,759	262,941	255,494	+23.0	− 2.8
United States	1,468,602	1,765,588	1,724,606	+20.2	− 2.3

Source: Semi-annual reports of Federal Deposit Insurance Corporation, "Assets and Liabilities of Operating Insured Banks."

CONSUMER INSTALMENT CREDIT OUTSTANDING IN 57 SEVENTH DISTRICT MEMBER AND NONMEMBER BANKS

(In thousands of dollars)

Class of Loan	Dec. 31, 1941	Mar. 31, 1942	Per Cent Change Dec. 31, 1941 to Mar. 31, 1942
Retail Instalment Paper Purchased:			
Automotive	$17,811	$13,279	−25
Other	24,711	22,816	− 8
Direct Retail Instalment Loans:			
Automotive	14,118	11,253	−20
Other	409	472	+15
Repair and Modernization Loans:			
FHA Title I Class I	14,620	13,318	− 9
Other	744	713	− 4
Personal and Cash Instalment Loans	10,282	10,239	0
Total	82,695	72,090	−13

Curtailment of consumer expenditure through retirement of personal indebtedness, curtailment of instalment buying, payment of taxes, and purchase of war savings bonds from current income restrains pressure on price ceilings and lessens the need for rationing. The paying off of debts now is an integral part of an attack upon inflation during the emergency and deflation after the war.

Consumer Instalment Loans in 1941

Consumer instalment loans outstanding at banks rose rapidly in 1939, 1940, and the first part of 1941. From December 31, 1940 to June 30, 1941, personal and retail instalment paper held by insured commercial banks in the United States rose from $1,468 million to $1,765 million. During the second half of 1941, such holdings of personal and retail instalment paper declined. By the end of December 1941, personal and retail instalment paper held by insured commercial banks in the United States had fallen to $1,724 million. During the first half of 1941, holdings of such paper rose 20.2 per cent, whereas such holdings declined 2.3 per cent in the second half of 1941.

Banks located in the five States included in whole or in part in the Seventh Federal Reserve District have followed the pattern for banks throughout the country. Personal and retail instalment paper held by insured commercial banks in the five States rose from $213 million on December 31, 1940 to $262 million on June 30, 1941, then declined to $255 million on December 31, 1941. Holdings of consumer credit paper in the five States rose 23 per cent in the first half of

1941 and declined 2.8 per cent in the second half of 1941. Holdings by Illinois banks, however, rose 9.6 per cent during the second half of 1941. Holdings of Michigan banks declined 10.7 per cent.

Consumer Instalment Loans in 1942

A survey conducted among 57 banks in the Seventh Federal Reserve District reveals that the outstandings of most classifications of consumer instalment loans have turned down sharply since the end of 1941. These 57 member and nonmember banks held 32 per cent of the outstanding consumer credit reported by 2,729 insured banks in the five States included in whole or in part in the Seventh District on December 31, 1941. The reporting banks on December 31, 1941 held $82,695 thousand in instalment paper, but by March 31, the amount had declined to $72,090 thousand, a decrease of 13 per cent during the first quarter of the year. By far the larger part of this decrease can be accounted for by a decline in automotive paper. The amount of such paper purchased by reporting banks declined 35 per cent in the first quarter of 1942, and the volume of direct automotive loans declined 20 per cent.

Repair and modernization loans showed a smaller decrease, contracting from $14,620 thousand to $13,318 thousand. Personal and cash instalment loans, the other major classification reported, declined less than one per cent. The fact that personal and cash instalment loans did not show the downward tendency of the other three types of paper may be accounted for by two factors. First, such loans are ordinarily made to pay hospital bills, to consolidate personal debts, and for similar purposes, and are not directly affected by curtailment in the direction of consumers' durable goods. Second, perhaps many personal and cash instalment loans were made to meet the first payment of income tax on March 15.

The volume of consumer instalment loans extended during March by reporting banks exceeded the volume of loans made during February by 2 per cent. The volume of automotive loans made direct was slightly larger in March than in February, and the volume of automotive paper purchased increased 12 per cent. Other loans arising from the sale of consumers' durable goods showed sharp decreases, due undoubtedly to further restrictions on the sale of such articles. Repair and modernization loans made during March were greater than those made during February. March construction in the Seventh District is usually greater than February construction, and this year construction showed more than the usual seasonal increase. Personal and cash instalment loans made during March were 28 per cent greater than those made during February.

Regulation W Amended

Consumer instalment loans at banks will be affected by the amendment of Regulation W effective May 6, 1942 to include single-payment loans of fifteen hundred dollars or less. The maximum maturity for instalment loans was shortened.

Single-payment loans made on or after May 6 are limited to a maturity of 90 days, but may be renewed or extended by a series of obligations each of which has a maturity not in excess of 90 days, if the borrower pays at the time of each renewal or extension enough to reduce the unpaid balance to an amount not greater than would have been permitted if the loan had been an instalment loan. The amendment also places restrictions upon single-payment loans which are to be used to purchase listed articles costing fifteen dollars or more.

The maximum permissible maturity of instalment loans was reduced to 15 months for automobiles and motorcycles and 12 months if the funds were to be used to purchase other listed articles. If the lender has reason to know that the proceeds are to be used to retire a charge account or to reduce or retire a single-payment loan, the maximum maturity will be further reduced.

Single-Payment Personal Loans

The Comptroller of the Currency, the Board of Directors of the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System issued the following joint statement on May 9, with respect to the procedure to be followed by their respective organization to encourage the reduction of individual debt through amortization of bank loans:

"One of the greatest advances in banking practices during recent years has been the wide ac-

(*Continued on page 6*)

CONSUMER INSTALMENT CREDIT
VOLUME OF LOANS MADE DURING FEBRUARY AND MARCH 1942, BY FIFTY SELECTED BANKS IN THE SEVENTH FEDERAL RESERVE DISTRICT
(Amounts in thousands of dollars)

Class of Paper	February	March	Per Cent of Change
Retail Instalment Paper Purchased:			
Automotive	$635	$711	+12
Other	2,923	2,477	—15
Direct Retail Instalment Loans:			
Automotive	1,055	1,059	0
Other	71	37	—48
Repair and Moderization Loans:			
FHA Title I Class I	369	520	+41
Other	19	20	+ 5
Personal and Cash Instalment Loans	1,248	1,592	+28
Total	6,320	6,416	+ 2

Agricultural Loans in the Seventh District

Short-Term Loans

The insured commercial banks of the nation make the bulk of the short-term agricultural loans, and something less than 10 per cent of the farm mortgage real estate loans. In view of the Government-sponsored goals for agricultural production, the price-supporting policies, lease-lend and military buying of the Government, farm income has much improved in recent months. Little has been said about the effect of such factors on the agricultural credit situation. Bankers have been reminded of the expanded credit needs in agriculture by the "food for freedom" credit campaign of the American Bankers Association, and by various agricultural credit conferences held throughout the country.

The total of agricultural loans (excluding loans on farm land) held by United States commercial banks on December 31, 1941, was nearly one-third larger than at the end of 1939, shortly after the war began. The total for all insured banks was $1,094 million for December 31, 1939 and $1,450 million at the end of 1941. The totals at the end of each intervening six-month period showed increases for June 1940 and again for December 1940, while the June 1941 figures represented a substantial decline. December 31, 1941 showed a very substantial rise over the June 1941 total outstanding. The most important factor in these fluctuations is the changes in bank holdings of Commodity Credit loans.

Total agricultural short-term loans for the five States lying in whole or in part in the Seventh District (Illinois, Indiana, Iowa, Michigan, and Wisconsin) show an increase of 20 per cent for December 31, 1941 over December 30, 1939. Insured commercial banks in the five States had agricultural loans amounting to $233 million at the end of 1939 and $279 million on December 31, 1941. The latter total is considerably less than the peak of $314 million reached on June 29, 1940.

In general, the figures for the total of agricultural loans outstanding in these five States show an upward trend since the end of 1939, if due allowance is made for changing seasonal requirements. Such allowances are made roughly by comparing June with June figures and December with year-end figures for other years. June totals tend to be higher than those of December, but this seasonality is more pronounced in Iowa and Illinois than in Indiana, Michigan, and Wisconsin. Such differences arise in part from differences in types of agricultural enterprises, and in part from lending practices of banks and the borrowing habits of farmers. The extent of bank participation in commodity loans insured by the Commodity Credit Corporation also gives rise to some of the differences.

AGRICULTURAL LOANS OF INSURED COMMERCIAL BANKS*
(In thousands of dollars)

	Dec. 30, 1939	June 29, 1940	Dec. 31, 1940	June 30, 1941	Dec. 31, 1941
United States	1,094,399	1,183,853	1,281,362	1,167,209	1,449,941
Illinois	75,766	100,913	79,025	70,713	82,131
Indiana	27,841	31,592	31,494	31,610	33,175
Iowa	91,271	136,990	100,244	116,710	118,713
Michigan	17,391	19,846	20,554	21,681	20,778
Wisconsin	20,870	24,919	24,219	26,621	24,498
Total 5 States	233,139	314,304	255,536	267,335	279,295

*Excluding loans on farm land.

Source: Semi-annual reports of Federal Deposit Insurance Corporation, "Assets and Liabilities of Operating Insured Banks."

The increase in use of bank agricultural credit is shown also for individual States. Iowa shows the largest percentage increase over the two-year period, a net gain from $91 million outstanding December 30, 1939 to nearly $119 million as of December 31, 1941. The gain for Illinois has been much less pronounced, the net change being only from $76 million to $82 million over the two years. Indiana, Michigan, and Wisconsin showed upward trends, amounting to a net gain of about 20 per cent over the period.

Illinois and Iowa banks differed from the other three States in having a sharp decline in totals outstanding from the end of June 1940 to the end of June 1941, while Indiana's total was virtually unchanged, and Michigan and Wisconsin showed substantial increases for June 1941 as compared with one year earlier.

Preliminary returns from a special survey of over fifty outstanding agricultural banks in the District indicate that as of May 1 the total short-term credit of the five States was about 6 per cent less than on December 31, 1941. Illinois, Indiana, and Wisconsin totals indicate declines ranging around 15 per cent. Much of this decline, especially in Illinois and Indiana, is believed to be due to the payment of wheat loans. Eight out of thirty-three banks in the three States reported increases in loans. Iowa and Michigan banks reported outstandings which totaled to in-

creases of 3 to 4 per cent. Five of eight Michigan banks reported increases over the December 31, 1941 figure, and those which reported declines explained such declines as due primarily to the calling of wheat loans. Two-thirds of the Iowa reports showed increases, but some reports attributed the increase largely to larger totals of CCC insured corn loans.

Real Estate Loans

Loans on farm real estate by insured commercial banks in this area have shown steady upward trends since December 1939, and by the end of 1941 represented a gain of 7 per cent. While Iowa banks had the largest total of real estate loans, amounting to $47 million, Michigan with $17 million and Wisconsin with $26 million have shown the greater rate of increase. Illinois, with $25 million outstanding December 31, 1941, has shown the least increase, followed by Indiana with $23 million, but showing a greater rate of increase than Illinois.

Results of the special survey as of May 1 indicate increased totals of loans on farm real estate ranging from 2 per cent to 7 per cent for Illinois, Indiana, and Michigan, but even in these States half the reports indicated declines since December 31, 1941, and some reports expressed the belief that further declines were the immediate prospect. Iowa and Wisconsin returns indicate a reduction in loans on farm land, although a relatively few Iowa banks showed substantial increases since the beginning of the year. All but one of Wisconsin banks showed declines for the period.

The semi-annual reports of all insured commercial banks indicate that these banks have been decreasing their holdings of farm land and improvements. Although not substantially large to begin with, the national total decreased by 46 per cent from December 1939 to December 1941, while in the area of the five States the decrease has been 54 per cent. Illinois and Michigan banks have disposed of two-thirds of their holdings during the period, Wisconsin and Indiana have disposed of about one-half, and Iowa has disposed of more than one-third of its December 30, 1939 holdings.

Recent reports indicate that in 1941 payments to the Federal Land Banks amounted to $72,585 thousand on principal of mortgages, plus an additional $56,119 thousand of payments made in advance of maturity, or a total of nearly $129 million. Meanwhile, loans made (closed) totaled only $65,068 thousand, or less than half of the repayments. The reports also showed an increase to $6 million in the future payments fund, an arrangement by which borrowers accumulate a reserve against payments due in the future. These deposits earn the same rate of interest as the borrower pays on his mortgage. The future of Federal Land Bank interest rates is in some doubt. Under present law, subsidies are paid from the Treasury to cover the difference between $3\frac{1}{2}$ per cent and the contract rate. This legislation expires June 30 of this year, but whether it will be renewed for another year by Congress is not known.

Ample Farm Credit Available

With improving farm incomes, farmers are at present in a fair cash position. In view of declining stocks of durable goods available for purchase, many farmers are reported to be making substantial reductions in long-time, mortgage obligations. Some bankers feel that this situation has also reduced the need for short-term credit, while others see in expanding production and rising feed and other costs a necessity for increasing short-term credit. Perhaps both are right. The loan data indicate some rise in the volume of short-term loans, although the need may not be as great as it would be if normal expenditure channels were open.

There is little doubt that adequate credit is available and will be available to farmers at their banks. Present reports indicate that both bankers and farmers have learned well lessons in agricultural credit taught by the expansion of the last war and are proceeding with due caution in their lending and borrowing operations of today.

AGRICULTURAL LOANS ON FARM LANDS—INSURED COMMERCIAL BANKS
(In thousands of dollars)

	Dec. 30, 1939	June 29, 1940	Dec. 31, 1940	June 30, 1941	Dec. 31, 1941
United States	$534,273	$543,455	$543,553	$551,224	$535,300
Illinois	23,814	23,925	24,251	24,879	24,565
Indiana	21,704	22,394	22,869	23,161	22,861
Iowa	44,260	46,004	46,425	47,390	46,814
Michigan	14,452	15,277	15,827	16,742	16,772
Wisconsin	23,581	24,643	25,298	26,163	26,027
Total 5 States	127,811	132,243	134,674	138,335	137,039

Source: Semi-annual reports of Federal Deposit Insurance Corporation, "Assets and Liabilities of Operating Insured Banks."

Treasury Bills and Certificates of Indebtedness

April and May were marked by significant developments in respect to Treasury bills and certificates of indebtedness. In April the Treasury made an offering in an amount of $1,500 million of certificates of indebtedness, a form of security which had not been used in open-market borrowing since 1934. During April and May the amount of Treasury bills outstanding was increased. A buying rate of three-eighths of one per cent per annum on Treasury bills was established by the Federal Reserve banks at the direction of the Federal Open Market Committee. The Federal Reserve banks purchased $37 million net of certificates of indebtedness in the two weeks ending May 13, and purchased $148 million net of Treasury bills in the five weeks ending May 13. The increased amount of Treasury bills and certificates outstanding provide a suitable security for investment of short-time idle funds of business corporations, and furnish a desirable and flexible means through which banks can adjust their day-to-day reserve positions.

Certificates

The certificate issue offered was dated April 15, will be payable on November 1, 1942, and will bear interest at the rate of one-half of one per cent per annum payable at maturity of the certificates. Total subscriptions aggregated $3,062 million. Subscriptions in amounts up to and including $25,000, totaling about $66 million, were allotted in full. Subscriptions in amounts over $25,000 were allotted 48 per cent on a straight percentage basis.

The April 15 statement of condition of weekly reporting member banks and the Federal Reserve banks revealed that at the close of business on that day of the $1,507 million certificates of indebtedness outstanding, $269 million was held by New York City reporting member banks, $78 million by Chicago reporting member banks, and $259 million by reporting member banks in 99 other cities. Holdings of others than weekly reporting member banks on April 15 were $901 million.

During the next four weeks, holdings of New York City banks increased $71 million, while holdings of others than weekly reporting member banks and Federal Reserve banks declined $109 million. In the two weeks ending May 13, the Federal Reserve banks purchased $37 million of the certificates of indebtedness. There was little net change in holdings of certificates of indebtedness by reporting member banks in Chicago and 99 other cities from April 15 to May 13.

Bills

Rates at which new issues of Treasury bills were sold rose during April and the first part of May. The average yield on new bills was .221 on bills dated April 1 and .368 on bills dated May 13. Higher rates were brought about by a lower demand in the Chicago District for bills after the April 1 property tax date, the offering of the Treasury certificates of indebtedness, and a further decline in excess reserves of member banks.

On April 30 the Secretary of the Treasury announced that beginning with the issue dated May 13 the Treasury will offer $250 million in Treasury bills instead of the usual $150 million and that an offering of $250 million each week will continue for the next several weeks. In accordance with this policy, the amount of Treasury bills outstanding increased $100 million as a result of the larger offering on May 13. The Treasury also secured $300 million of new money through sale of issues of Treasury bills on April 1 and April 8, for no bill issues matured on those dates. New issues of $150 million replaced maturing issues in the same amount on April 15, 22, 29, and May 6.

The maturities of the March 25, April 1, and April 8 bill issues were lowered to 82, 78, and 72 days, respectively, so that in the four days following June 15, $600 million of Treasury bills will mature. Payment in cash, without replacement, for maturing issues of Treasury bills will serve to avert strain on the money market in the June quarterly tax period.

On April 30 the Federal Open Market Committee directed the twelve Federal Reserve banks to purchase for the System Open Market Account all Treasury bills that may be offered to such banks on a discount basis at the rate of three-eighths per cent per annum. This arrangement gives assurance to purchasers of Treasury bills that in case they have need for cash before the maturity of the bills, they can obtain it by selling Treasury bills to the Federal Reserve banks, if necessary. In the last three weeks of April and the first two weeks of May, the Federal Reserve banks purchased $148 million of Treasury bills.

Treasury bill holdings of weekly reporting member banks in Chicago declined $341 million in the two weeks ending April 1, due to sale of Treasury bills to non-bankers in Illinois in anticipation of the April 1 tax assessment date for personal property taxes levied on bank deposits in the State of Illinois. Treasury bill holdings of Chicago reporting member banks rose $242 million in the week ending April 8, as a result of repurchase of Treasury bills previously sold for tax purposes. Chicago banks allowed their bill

holdings to run off in the following three weeks and their Treasury bill holdings declined $114 million. In the two weeks ending May 13, Chicago banks again added to their bill holdings which rose $65 million.

Treasury bill holdings of New York City weekly reporting member banks increased $119 million in the two weeks ending April 15, but declined $34 million in the following four-week period.

Treasury bill holdings of weekly reporting member banks in 99 other cities, not including New York and Chicago, have increased steadily since the end of March. From March 25 to May 13, Treasury bill holdings of these banks increased $231 million.

Treasury bill holdings of others than weekly reporting member banks and Federal Reserve banks rose $537 million in the two weeks ending April 1, the personal property tax date in Illinois, declined $215 million in the week ending April 8, and declined a further $154 million in the following five weeks.

Of the $2,053 million Treasury bills outstanding at the close of business on May 13, weekly reporting member banks in New York City held $344 million, weekly reporting member banks in Chicago held $304 million, and weekly reporting member banks in 99 other cities held $502 million. The Federal Reserve banks held $148 million, and others than weekly reporting member banks and Federal Reserve banks held $755 million.

Consumer Instalment Loans

(Continued from page 2)

ceptance of the principle of amortization of debts. This principle is incorporated in Regulation W, issued by the Board of Governors of the Federal Reserve System, which relates to consumer credit and applies to certain types of bank loans.

"In the exercise of their supervisory responsibilities, the Comptroller of the Currency, the Board of Directors of the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System urge that the principle of amortization be extended to other loans which are not subject to the provisions of Regulation W, particularly to the volume of single-payment loans to individuals for non-productive purposes presently outstanding.

"The examiners for the respective agencies are being instructed to pay particular attention in the course of their examinations to individual debt to determine whether it is being reduced and to the circumstances which may be preventing its reduction or preventing it being put on an amortization basis. The examiners are likewise being instructed to include in their reports of examination comments as to the extent to which the bank has cooperated in the program for reduction of personal indebtedness incurred for non-productive purposes, and as to the results achieved."

PERSONAL AND RETAIL INSTALMENT PAPER HELD BY INSURED COMMERCIAL BANKS IN THE FIVE STATES OF THE SEVENTH FEDERAL RESERVE DISTRICT, DECEMBER 31, 1941
(Amounts in thousands of dollars)

	Number of banks reporting some personal and retail instalment paper	Total personal and retail instalment paper	Retail Instalment Paper				Repair and Modernization Instalment Loans		Personal instalment cash loans
			Arising from Sales of Automotive Vehicles		Arising from Other Retail Instalment Sales				
			Paper purchased	Direct loans	Paper purchased	Direct loans	F. H. A. Title I Class 1 loans	All other	
Illinois	776	89,023	26,133	9,555	24,137	614	10,797	1,846	15,941
Indiana	429	35,213	16,680	5,236	3,734	208	2,912	608	5,835
Iowa	576	27,840	9,693	7,713	2,098	618	3,116	414	4,188
Michigan	418	79,205	18,084	23,886	4,279	1,618	16,113	1,965	13,260
Wisconsin	530	24,213	4,777	6,676	2,013	543	3,024	1,078	6,102
Five States	2,729	255,494	75,367	53,066	36,261	3,601	35,962	5,911	45,326
United States	12,337	1,724,606	414,055	315,977	258,627	20,231	228,337	40,273	447,106

Source: Federal Reserve Bulletin, May 1942.

RECEIPTS AND SHIPMENTS OF GRAIN
At Interior Primary Markets in the United States
(In thousands of bushels)

	April 1942	April 1941	Per Cent Change April 1942 from April 1941	Ten-Year Average April 1932-41	Per Cent Change April 1942 from Ten-Year Average
WHEAT:					
Receipts	12,495	17,106	−27.0	13,394	− 6.7
Shipments	12,184	11,685	+ 4.3	10,396	+17.2
CORN:					
Receipts	30,383	16,930	+79.5	14,185	+114.2
Shipments	20,232	14,229	+42.2	10,578	+91.3
OATS:					
Receipts	5,529	4,381	+26.2	4,525	+22.2
Shipments	4,789	3,264	+46.7	5,693	−15.9

Source: Daily Trade Bulletin.

HOG-CORN RATIOS

	April 1942	March 1942	April 1941	April 1940
Illinois	18.0	17.1	13.6	9.2
Indiana	17.0	15.9	12.6	9.1
Iowa	19.0	17.6	15.1	9.6
Michigan	15.9	15.2	12.2	9.2
Wisconsin	16.6	15.8	13.8	8.4
United States	16.9	16.0	13.2	8.4

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

SALES OF INDEPENDENT RETAIL STORES
SEVENTH FEDERAL RESERVE DISTRICT

	Per Cent Change March 1941 to March 1942				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*	+17	+14	+11	+ 9	+20
Apparel Group	+53	+61	+40	+41	+65
Drug Stores	+14	+14	+11	+12	+16
Eating and Drinking Places	+14	+12	+ 9	+21	+18
Food Group	+12	+14	+10	+15	+12
Furniture-Household-Radio Group	+27	+10	+14	+ 7	+30
Hardware Stores	+41	+57	+40	+45	+54
Jewelry Stores	+21	+28	+21	+22	+27
Lumber and Building Materials	+39	+26	+17	+ 6	+22
Motor Vehicle Dealers	−78	−77	−68	−75	−66

*Includes classifications other than those listed.

WHOLESALE TRADE
SEVENTH FEDERAL RESERVE DISTRICT

Commodity	Per Cent Change March 1941 to March 1942			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries	+25	+18	+18	+19
Electrical Goods	+ 8	+ 4	+27	+38
Groceries	+15	+28	+16	+22
Hardware	+45	+14	+19	+50
Jewelry	+26	+ 9	−13	+30
Meats and Meat Products	+77	+48	+40	+84
Paper and Its Products	+22	+68	+25	+37
Tobacco and Its Products	+14	+48	+ 7	+13
Miscellaneous	+22	+19	+20	+27
Total	+24	+21	+17	+33

Source: Bureau of the Census, United States Department of Commerce.

UNITED STATES FEDERALLY INSPECTED SLAUGHTER
(In thousands)

	March 1942	March 1941	Average of 5-year March 1937-41	Per Cent Change March 1941 to March 1942	Per Cent Change March 1942 from 5-year Average	April 1942	April 1941	Average of 5-year April 1937-41	Per Cent Change April 1941 to April 1942	Per Cent Change April 1942 from 5-year Average
Hogs	4,134	3,904	3,352	+ 6	+23	4,196	3,807	3,124	+10	+34
Cattle	929	766	779	+21	+19	956	792	759	+21	+26
Calves	491	444	492	+10	0	502	507	507	− 1	− 1
Lambs and Sheep	1,669	1,408	1,377	+18	+21	1,570	1,436	1,355	+ 9	+16

Source: Agricultural Marketing Administration, United States Department of Agriculture.

DEPARTMENT AND APPAREL STORE TRADE
SEVENTH FEDERAL RESERVE DISTRICT

Locality	Total Net Sales			Per Cent Change March 1942 from March 1941			Stocks on Hand (End of Month)		Orders Outstanding	
	Per Cent Change March 1942 from		Per Cent Change January through March 1942 from January through March 1941				Per Cent Change March 1942 from		Per Cent Change March 1942 from	
	February 1942	March 1941		Open Book Sales	Instalment Sales	Cash & C. O. D. Sales	February 1942	March 1941	February 1942	March 1931
Chicago	+27	+20	+23	+31	+13	+20	+18	+40	+12	+196
Peoria	+23	+17	+22	....	....	....	....	....	....	....
Fort Wayne	+35	+41	+44	+47	....	+53	+ 5	+46	....	....
Indianapolis	+40	+28	+32	+23	+23	+39	+10	+55	+10	+134
Des Moines	+25	+16	+20	....	....	....	....	....	....	....
Sioux City	+36	+12	+15	....	....	....	....	....	....	....
Detroit	+25	+24	+31	+16	+ 8	+35	+15	+56	+ 8	+222
Flint	+61	− 4	*	....	....	....	....	....	....	....
Grand Rapids	+38	+14	+21	....	....	....	....	....	....	....
Lansing	+41	+ 9	+19	....	....	....	....	....	....	....
Milwaukee	+40	+30	+34	+25	+35	+35	+12	+42	+18	+120
Other Cities	+36	+23	+29	+18	+20	+30	+10	+30	+12	+86
Total	+31	+22	+27	+24	+15	+28	+14	+42	+10	+175
Apparel Stores	+45	+37	+36	+29	....	+47	+ 3	+25	+21	+134

*Decrease of less than one per cent.

PERCENTAGE INCREASES FROM MARCH 15, 1941 TO MARCH 15, 1942 IN THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS BY GROUPS OF ITEMS

City	All Items	Food	Clothing	Rent	Fuel, Electricity, and Ice	House Furnishings	Miscellaneous
Chicago	+12.0	+19.4	+19.5	+ 3.4	+ 2.9	+15.5	+ 8.2
Detroit	+14.7	+20.3	+21.5	+ 9.3	+ 8.6	+17.4	+10.5
Average:							
Large Cities	+12.9	+20.5	+21.1	+ 3.6	+ 3.8	+19.3	+ 8.0

INDEXES OF THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS MARCH 15, 1942

(Average 1935-39 = 100)

City	All Items	Food	Clothing	Rent	Fuel, Electricity, and Ice	House Furnishings	Miscellaneous
Chicago	113.7	117.5	119.5	112.8	103.4	119.5	109.1
Detroit	117.1	118.4	124.7	119.3	106.8	120.6	112.9
Average:							
Large Cities	114.3	118.6	123.6	108.9	104.5	121.2	110.1

Source: Bureau of Labor Statistics.

STEEL AND MALLEABLE CASTINGS SEVENTH FEDERAL RESERVE DISTRICT

	March 1942 Per Cent Change from	
	February 1942	March 1941
Steel Castings:		
Orders booked (tons)	+25	+ 76
Orders booked (dollars)	+69	+291
Shipments (tons)	+17	+ 56
Shipments (dollars)	+17	+146
Production (tons)	+11	+ 46
Malleable Castings:		
Orders booked (tons)	—20	—40
Orders booked (dollars)	—20	—34
Shipments (tons)	+ 4	+ 9
Shipments (dollars)	+ 5	+23
Production (tons)	+ 5	+14

MONTHLY BUSINESS INDEXES

Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935–39 average = 100	Mar. 1942	Feb. 1942	Jan. 1942	Mar. 1941	Feb. 1941	Jan. 1941
Manufacturing Industries:						
Durable Goods:						
Employment	144	143	148	135	132	131
Payrolls	201	195	196	163	159	152
Non-Durable Goods:						
Employment	112	114	114	103	102	102
Payrolls	137	139	140	115	113	111
Total:						
Employment	133	133	137	124	122	121
Payrolls	181	178	178	149	145	140
Pig Iron Production:*						
Illinois and Indiana	209	207	205	196	193	187
Automobile Production (U. S. and Canada):						
Passenger Cars and Trucks	34	46	78	159	152	156
Casting Foundries Shipments:						
Steel—In Dollars	524	449	468	213	195	196
In Tons	261	223	245	168	160	169
Malleable—In Dollars	211	202	205	176	162	164
In Tons	170	164	164	159	148	150
Furniture Manufacturing:						
Orders in Dollars	162	141	199	158	161	193
Shipments in Dollars	187	170	149	161	143	108
Paper Manufacturing:*						
Tonnage Production	143	147	139	120	120	115
Petroleum Refining—(Indiana, Illinois, Kentucky Area):*						
Crude Runs to Stills	162	165	161	146	147	141
Gasoline Production	146	149	152	135	135	134
Bituminous Coal Production:*						
Illinois, Indiana, Iowa, and Michigan	132	152	159	150	136	136
Building Contracts Awarded:						
Residential	435	312	171	254	178	146
Total	357	185	147	333	110	130
Department Store Net Sales:*						
Chicago	126	106	117	103	92	87
Detroit	148	126	128	118	101	91
Indianapolis	160	124	135	123	98	98
Milwaukee	150	116	123	114	89	90
Other Cities	136	115	119	111	97	86
Seventh District—Unadjusted	136	114	121	109	95	89
Adjusted	141	135	154	116	113	113

*Daily average basis.

EMPLOYMENT AND PAYROLLS SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of March 15, 1942			Per Cent Change from February 15, 1942	
	Number of Reporting Firms	Number of Employees	Wage Payments (In thousands of dollars)	Number of Employees	Wage Payments
Durable Goods:					
Metals and Products[1]	1,855	603,686	24,972	+0.7	+3.5
Transportation Equipment	394	303,293	15,306	+0.1	+1.0
Stone, Clay, and Glass	270	22,071	701	+3.3	+3.9
Wood Products	452	61,022	1,719	—0.6	+1.0
Total	2,971	990,072	42,698	+0.5	+2.5
Non-Durable Goods:					
Textiles and Products	421	74,872	1,812	+0.7	+3.4
Food and Products	1,012	120,059	3,724	—3.3	—1.9
Chemical Products	317	42,342	1,547	—2.1	—2.5
Leather Products	177	39,996	1,095	+1.3	+2.5
Rubber Products	38	19,082	664	—0.2	+3.2
Paper and Printing	681	86,738	2,897	—3.5	—3.7
Total	2,646	383,089	11,739	—1.8	—1.0
Total Mfg., 10 Groups	5,617	1,373,161	54,437	—0.2	+1.7
Merchandising	4,815	146,529	3,600	+0.3	+0.7
Public Utilities	1,118	109,281	4,020	—0.1	+0.2
Coal Mining	47	7,785	289	—0.7	—5.0
Construction	687	11,281	475	+1.8	+9.0
Total Non-Mfg., 4 Groups	6,667	274,876	8,384	+0.1	+0.7
Total, 14 Groups	12,284	1,648,037	62,821	—0.1	+1.6

[1]Other than transportation equipment.
Data furnished by State agencies of Illinois, Indiana, Michigan, and Wisconsin.

BANK DEBITS

Debits to deposit accounts, except interbank accounts

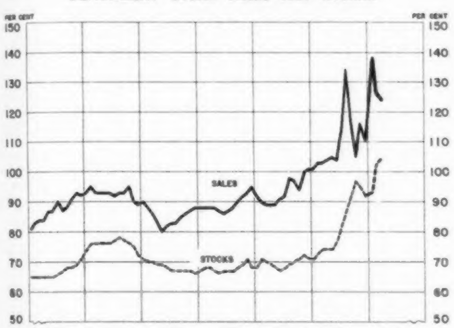
	(In thousands of dollars)			Per Cent Change April 1942 from	
	April 1942	Mar. 1942	April 1941	Mar. 1942	April 1941
Illinois:					
Aurora	$ 15,510	$ 16,276	$ 14,977	— 5	+ 4
Bloomington	16,489	17,825	14,429	— 7	+14
Champaign-Urbana	17,198	19,458	17,035	—12	+ 1
Chicago	4,038,185	4,484,963	3,552,634	—10	+14
Danville	12,748	13,091	11,461	— 3	+11
Decatur	27,700	27,841	23,070	— 1	+20
Elgin	10,148	11,287	9,741	—10	+ 4
Moline	11,745	12,354	10,747	— 5	+ 9
Peoria	79,995	87,773	73,655	— 9	+ 9
Rockford	44,495	48,225	37,915	— 8	+17
Springfield	31,801	34,129	29,563	— 7	+ 8
Indiana:					
Fort Wayne	50,788	49,640	40,879	+ 2	+24
Gary	24,619	23,075	21,487	+ 7	+15
Hammond	12,105	12,443	11,498	— 3	+ 5
Indianapolis	323,714	321,765	279,156	+ 1	+16
South Bend	59,473	66,941	53,336	—11	+12
Terre Haute	31,528	31,179	27,686	+ 1	+14
Iowa:					
Cedar Rapids	36,037	38,217	30,248	— 6	+19
Clinton	9,202	8,601	7,972	+ 7	+15
Davenport	28,661	29,830	27,654	— 4	+ 4
Des Moines	122,958	154,714	112,845	—21	+ 9
Dubuque	13,544	12,759	11,770	+ 6	+15
Mason City	14,030	16,451	11,501	—15	+22
Muscatine	4,951	4,976	4,289	— 1	+15
Sioux City	59,422	57,301	44,563	+ 4	+33
Waterloo	30,496	30,536	21,818	*	+40
Michigan:					
Adrian	5,680	5,836	5,059	— 3	+12
Battle Creek	19,744	20,006	17,335	— 1	+14
Bay City	17,127	16,718	14,097	+ 2	+21
Detroit	1,511,431	1,488,989	1,292,894	+ 2	+17
Flint	33,781	42,173	34,840	—20	— 3
Grand Rapids	70,528	72,593	66,693	— 3	+ 6
Jackson	23,037	23,834	20,118	— 3	+15
Kalamazoo	30,351	33,747	28,717	—10	+ 6
Lansing	38,315	35,125	30,148	+ 9	+27
Saginaw	28,688	27,467	28,303	+ 4	+ 1
Wisconsin:					
Green Bay	22,212	22,423	20,000	— 1	+11
Manitowoc	10,247	10,381	9,073	— 1	+13
Milwaukee	380,121	459,530	306,237	—17	+24
Oshkosh	11,695	12,848	10,845	— 9	+ 8
Sheboygan	28,283	29,393	20,482	— 4	+38
Seventh District:					
41 Cities	7,358,782	7,932,713	6,406,770	— 7	+15
United States:					
274 Cities	46,620,000	49,175,000	42,237,000	— 5	+10

*Decrease of less than one per cent.

INDUSTRIAL PRODUCTION

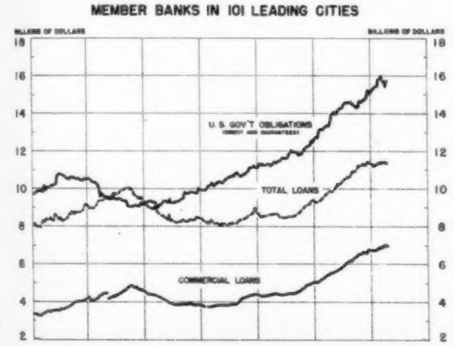
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for March 1942.

DEPARTMENT STORE SALES AND STOCKS



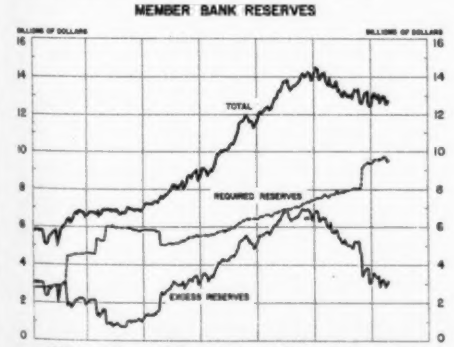
Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for March 1942.

MEMBER BANKS IN 101 LEADING CITIES



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported. Latest figures shown are for April 8, 1942.

MEMBER BANK RESERVES



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for April 8, 1942.

National Summary of Business Conditions

(By the Board of Governors of the Federal Reserve System)

Industrial activity continued at a high rate in March and the first half of April. Distribution of commodities to consumers was maintained in large volume and commodity prices advanced further.

Production—Volume of industrial production increased seasonally in March and the Board's adjusted index remained at 172 per cent of the 1935-39 average. Output of durable manufactured products, now mostly war materials, continued to advance, reflecting mainly increased activity in the iron and steel, machinery, aviation, and shipbuilding industries. Production of lumber and cement, which had been maintained at unusually high levels during the winter months, increased less than seasonally in March.

In most industries manufacturing nondurable goods activity was sustained at earlier high levels. In some, however, notably wool textiles and petroleum refining, there were declines owing to restrictions on production for civilian use and, in the case of petroleum products, to transportation difficulties. Mineral production declined in March and the first half of April, reflecting sharp curtailment in output of crude petroleum. Coal production, which usually declines at this season, was maintained in large volume. The Great Lakes shipping season opened in the latter part of March and the first boatload of iron ore reached lower lake ports 12 days earlier than the record set last year. Shipments during the coming season are expected to exceed considerably the total of 80 million gross tons brought down the lakes last year.

Value of construction contract awards continued to increase in March, according to figures of the F. W. Dodge Corporation, and the level of the first quarter of 1942 was the highest in recent years, being some 30 per cent above that of the corresponding period last year. Awards for public work amounted to close to 80 per cent of the total and in the residential field accounted for 52 per cent of the value of all projects. Publicly-financed contracts for factory construction showed a sharp increase, partly offset in the total by a decline in private factory construction.

On April 9 the War Production Board issued an order which required explicit permission of the Government for initiation of all new private construction involving expenditures in excess of specified small amounts and not covered by specific priority ratings.

Distribution—Value of retail trade in March continued at the high level of other recent months, making allowance for customary seasonal changes. Sales at department and variety stores increased by somewhat less than the usual seasonal amount, while sales by mail-order houses rose more than seasonally.

On the railroads total loadings of revenue freight were maintained in large volume in March and the first half of April. Shipments of coal and coke declined less than seasonally and ore loadings increased sharply, while grain shipments declined further from the peak reached in January. Loadings of miscellaneous merchandise, which had been unusually large in the preceding three months, increased less than seasonally.

Commodity Prices—The general level of wholesale commodity prices advanced 1½ per cent further from the middle of March to the middle of April. Among manufactured products, finished consumers' goods, such as foods, clothing, and shoes, continued to show the largest price increases. Prices of most raw materials were unchanged or showed increases, which in a number of cases reflected the raising of Federal maximum price levels. There were declines in prices of wheat and of a few other commodities, including gasoline at Gulf ports and turpentine.

In retail markets maximum prices were fixed in this period for a number of electrical products, most of which will no longer be produced for civilian use after May 3. Prices of many other commodities and services advanced further.

Bank Credit—During the four weeks ending April 15 holdings of Government securities at banks in leading cities increased by nearly 700 million dollars, while commercial loans declined somewhat, following a rise in previous weeks. Changes in member bank reserves and deposits reflected principally the temporary effects of Treasury operations in connection with income tax collection and the sale of certificates of indebtedness. Money in circulation continued to increase.

United States Government Security Prices—Following an advance from the mid-February low, prices of U. S. Government bonds remained relatively steady in the first half of April.

SEVENTH FEDERAL

RESERVE DISTRICT